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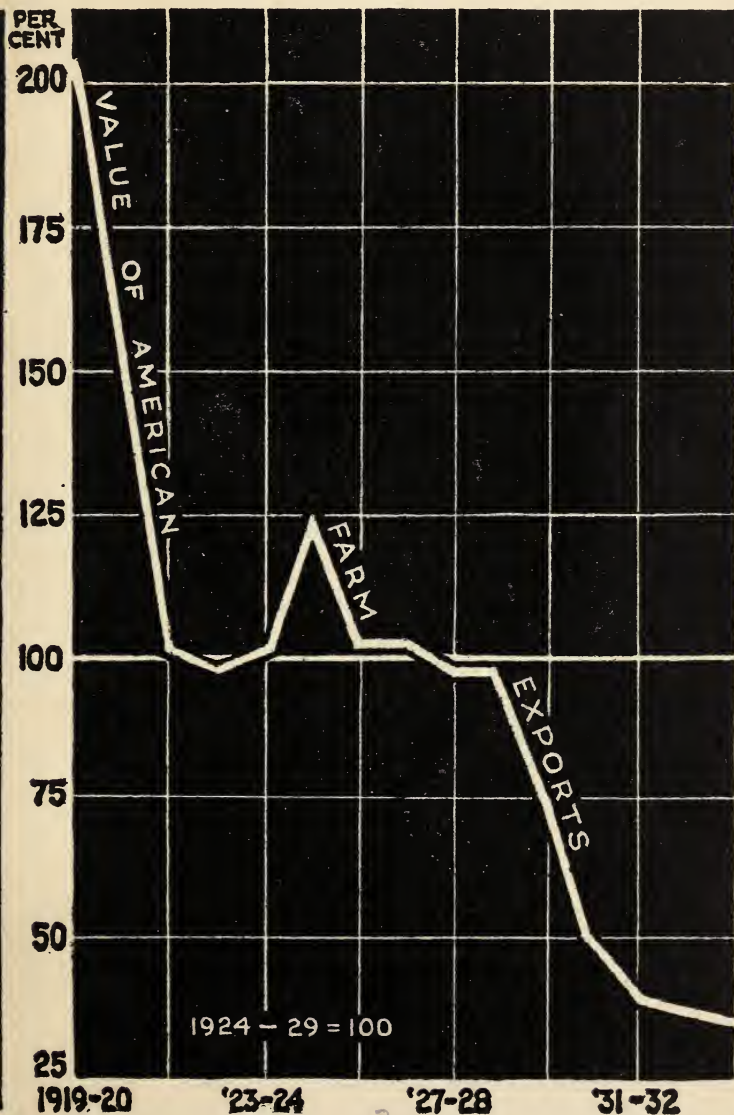
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AGRICULTURE'S INTEREST IN AMERICA'S WORLD TRADE

Questions and Answers on a Vital Aspect of America's Future



AGRICULTURE'S INTEREST IN AMERICA'S WORLD TRADE

QUESTIONS AND ANSWERS ON A
VITAL ASPECT OF AMERICA'S
FUTURE

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PREPARED IN
DIVISION OF INFORMATION
Agricultural Adjustment Administration
Department of Agriculture

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TOWARD AN INFORMED DEMOCRACY

Until the thoughtful people in every township of the United States have asked themselves questions of the sort presented in the following pages we cannot be sure of a long-abiding, fundamental prosperity. Study the answers here presented and see if you can work out better ones. Township by township, county by county, we are on our way toward an informed Economic Democracy. To function in such a democracy it is necessary not only to vote but to vote intelligently.

This little pamphlet which deals with agriculture's interest in world trade indicates why it is that we must dig so deep to restore purchasing power both to the American farmer and the American consumer. The questions here presented must be faced, no matter what party may be in power.

—HENRY A. WALLACE.

THE RECORD OF AMERICA'S CHIEF AGRICULTURAL EXPORTS, 1910-33¹

WHEAT

Period	Area har- vested	Production	Exports	Stocks ²	Farm price
	<i>Acres</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Cents per bushel</i>
1910-14.....	48,953,000	728,225,000	156,409,000	88,716,000	88.4
1915-19.....	58,151,000	834,462,000	218,839,000	72,031,000	174.6
1920-24.....	59,540,000	821,693,000	259,492,000	98,306,000	120.9
1925-29.....	58,286,000	822,512,000	170,077,000	98,719,000	119.4
1930-33.....	56,122,000	773,500,000	86,371,000	268,671,000	54.9
1933.....	47,518,000	528,000,000	37,002,000	270,079,000	74.0

COTTON

	<i>Acres</i>	<i>Bales</i>	<i>Bales</i>	<i>Bales</i>	<i>Cents per pound</i>
1910-14.....	33,960,000	14,254,000	9,300,000	1,285,000	11.0
1915-19.....	32,642,000	11,467,000	5,704,000	3,368,000	23.9
1920-24.....	33,900,000	10,980,000	6,277,000	3,175,000	21.4
1925-29.....	42,606,000	15,268,000	8,575,000	2,130,000	17.4
1930-33.....	36,810,000	14,302,000	8,243,000	5,649,000	8.0
1933.....	30,144,000	13,177,000	9,047,000	8,081,000	10.5

TOBACCO

	<i>Acres</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Cents per pound</i>
1910-14.....	1,208,940	991,958,000	390,413,000	³ 1,170,000,000	10.4
1915-19.....	1,581,340	1,269,614,000	484,278,000	³ 1,252,686,000	21.4
1920-24.....	1,689,560	1,306,191,000	490,522,000	1,568,873,000	19.5
1925-29.....	1,757,400	1,357,424,000	541,949,000	1,688,924,000	18.8
1930-33.....	1,827,350	1,415,605,000	473,999,000	1,878,910,000	11.1
1933.....	1,770,000	1,385,000,000	472,632,000	1,982,647,000	12.9

¹ Figures given in this table represent annual averages for the periods specified.

² Stocks in general represent the carryover at the beginning of the marketing year. Wheat stocks consist of stocks on farms, in country elevators, and commercial, as of July 1. They do not include stocks in merchant mills and elevators and stored for others, or stocks in transit to merchant mills, and bought to arrive. Cotton stocks consist of stocks at specified locations in the United States, as of Aug. 31, from 1910 to 1914, and as of July 31, from 1915 to 1933. They do not include American cotton at ports, afloat, or at mills outside of the United States. Tobacco stocks consist of stocks of domestically produced tobacco only, as of July 1. They do not include imported tobacco, nor tobacco shipped from United States territory outside of the continental United States.

³ Estimated.

The Record of America's Chief Agricultural Exports, 1910-33—Contd.

CORN

Period	Area har- vested	Production	Exports	Stocks ⁴	Farm price
	<i>Acres</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Cents per bushel</i>
1910-14.....	105,240,000	2,732,457,000	43,917,000	108,917,000	64.2
1915-19.....	106,167,000	2,761,632,000	39,094,000	83,964,000	127.9
1920-24.....	101,280,000	2,775,943,000	75,984,000	167,755,000	76.5
1925-29.....	99,456,000	2,671,069,000	23,233,000	107,928,000	79.2
1930-33.....	104,524,000	2,476,164,000	5,256,000	⁵ 112,648,000	43.1
1933.....	102,397,000	2,344,000,000	4,965,000	51.6

Since corn production is directly related to hog production, the following figures should be read with the corn figures:

HOGS

Period	Number in U. S.	Production, Pork and Lard	Exports, Pork and Lard	Stocks ⁴	Farm price
		<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Cents per pound</i>
1910-14.....	53,140,000	7,975,000,000	941,400,000	7.22
1915-19.....	59,680,000	8,077,000,000	1,832,200,000	11.79
1920-24.....	62,965,000	9,652,400,000	1,703,200,000	618,743,000	8.28
1925-29.....	56,777,000	11,335,000,000	1,136,856,000	615,879,000	9.73
1930-33 ³	57,502,000	11,739,000,000	810,500,000	605,544,000	4.49
1933 ³	61,320,000	11,989,000,000	724,000,000	531,938,000	3.87

³ Estimated.

⁴ Corn stocks consist of stocks on farms and Bradstreet's visible, as of Nov. 1. Pork and lard stocks consist of pork and lard in storage, as of Jan. 1.

⁵ 1930-32 average.

The world carry-over of American cotton in 1932 was 13,000,000 ¹ bales, as much as a whole year's average crop for this country. This was about two and a half times the normal carry-over.

The total United States wheat carry-over in 1933 was more than 390,000,000 ¹ bushels, as much as half a year's average crop. This was about three times the normal carry-over. The products which could not be stored, like hogs, were marketed, but at even more ruinous prices than those which could be stored.

The average price per hundred pounds received by producers for hogs averaged \$9.73 for the years 1925-29. In 1932-33 the price was \$3.36.

The accumulated surpluses of products which could be stored, and the declines in value of products which had to be marketed regardless of price, show the extent to which the number of acres in production in the United States at the beginning of 1933 exceeded the domestic demand for their produce.

4. *How many acres of average productivity does the United States need to farm for domestic consumption? Can this number be definitely fixed?*

The number of acres whose cultivation is necessary to meet domestic requirements varies from one period to the next. It depends on the standard of living of the American people. If that standard is high, the number of acres which can be profitably cultivated for the domestic market will be notably larger than if the standard is low.

5. *What is the difference in food requirements between a high standard of living and a low one?*

The Federal Bureau of Home Economics has recently worked out four scientifically balanced diets, which it has called—

1. A restricted diet for emergency use;
2. An adequate diet at minimum cost;
3. An adequate diet at moderate cost;
4. A liberal diet.

¹ These figures differ from those given in the table, "The Record of America's Chief Agricultural Exports, 1910-33," page IV, because they are computed on a more inclusive basis.

The first, designed for a strictly subsistence standard of living, consists chiefly of cereals, with reduced quantities of fresh fruits and vegetables and dairy products. The last, designed for a high standard of living, contains a very liberal allowance of lean meat, eggs, milk, vegetables, and fruits. The other two are in between these extremes.

6. *How many average American farm acres would have to be cultivated to supply these diets to the American people?*

Diet No. 1 would require the cultivation of only 180 million average acres.

Diet No. 2 would require the cultivation of 226 million average acres.

Diet No. 3 would require the cultivation of 280 million average acres.

Diet No. 4 would require the cultivation of 335 million average acres.

(These figures do not include acreage used for nonfood crops consumed at home, nor acreage used producing crops for export.)

7. *What standard of consumption of farm products was enjoyed by the American people in good times, and how many acres were needed to grow the products they consumed?*

During the period 1925-29, when the industrial population of the United States was enjoying a high standard of living, the national consumption of domestically produced food was equivalent to the produce of about 287 million average acres, or 7 million acres more than the number called for by Diet No. 3. This standard of living used 107 million acres more than would be needed if the general standard of living should fall to the level of Diet No. 1. During the depression years the number of acres used for domestic consumption has been 281 million.

8. *Why is it not possible for the United States to use all of the products of its farms and factories at home?*

The United States cannot use all of the output of its farms and factories at home because the productive capacity of its

national equipment, both agricultural and industrial, was developed to supply needs larger than its domestic needs for some products and smaller than its domestic needs for others. That is to say, America's economic system was developed with a view to world exchange. A general rise in American standards of living, following a wide distribution of purchasing power, would provide for the absorption of many commodities which appear as surpluses today, but such a rise involves changes in social and economic habits which can take place in an orderly fashion only if made over a considerable period of time. And in the case of certain agricultural products, American production, until the inauguration of the AAA programs, has been far greater than the amount of those products which would be required even if Diet No. 4 became the diet of all the American people.

9. *What effect would a program of complete self-sufficiency have on American farming?*

If the United States chose to become nationally self-sufficient, it would be discovered that farming for solely domestic uses would differ in two ways from the present system of farming for a combination of national and world exchange. Under a system of self-sufficiency the number of acres required for the type of crops which the American farmer is used to raising would be sharply diminished. On the other hand, under such a system the American farmer would be called upon to attempt to raise some crops with which he has so far had no experience.

10. *How many acres devoted to the products this country has been accustomed to export would have to be taken out of production permanently, if the United States became completely self-sufficient?*

The agricultural adjustment programs of 1933-34 eliminated the production of surplus crops on some 36,000,000 acres as an emergency measure, yet the country still had an export trade in agricultural products worth \$694,000,000. Should the prevailing market situation grow worse, or a national

decision favoring complete self-sufficiency be adopted, a still more extensive retirement policy for those crops would be necessary as a permanent plan.

Take some concrete examples. In 1933 the United States exported 9,047,000 bales of cotton. They represented the produce of about 27,000,000 acres. The year's wheat exports represented the produce of some 7,000,000 acres; the corn exports, some 230,000 acres; the tobacco exports, some 600,000 acres. Had the country been on a self-sufficient basis a large part of those acres, as well as the 36,000,000 acres, would have had to be kept out of cultivation if disastrous breaks in domestic prices were not to occur.

11. *What products are America's chief agricultural imports at present?*

Sugar and minor food products, considerable quantities of vegetable fats and oils, particularly from the Philippines, and practically the entire supply of coffee, tea, cocoa, spices, bananas, silk, and rubber used in the United States are now imported.

12. *How many acres would this country have to plant to grow the products it has been accustomed to import?*

The sugar and vegetable oils imported in 1933 were the equivalent of about 14 million acres. It is difficult to estimate the acres necessary for the cultivation of tropical crops in a country lying almost entirely in the temperate zone, with only a small subtropical fringe. The problem is not only a problem of how (and if) tropical products could be grown, but also a problem of what market would exist for them in this country at the prices which would be necessary to cover cost of their production here.

13. *What would be the effect of readjusting American economic life to a program of complete self-sufficiency?*

The American economic system would have to be rebuilt, and the rebuilding would involve drastic readjustment. A system of self-sufficiency, while it might have advantages once it were

a going concern, would entail serious costs during the period in which the fundamental changes required to inaugurate it were being made. The building up of the new productive capacity necessary to supply the needs which America now satisfies from foreign sources would unavoidably take time. Arrangements for domestic consumption of the American products now sold abroad would also take time, and in some cases consumption of all of them would be impossible. The disappearance of the export market would meanwhile be making itself felt. The widespread repercussions which would follow a deliberate shift to self-sufficiency have been indicated by the results of involuntary loss of export markets in recent years.

For example, wheat farmers who used to sell a quarter of their crop abroad but whose exports have gradually dwindled to around 5 percent cannot buy their accustomed numbers of combines, threshing machines, and other farm machinery. Unemployment in the factories where farm implements are made is the inevitable result; loss of the farmers' foreign markets means loss of the farm machinery industry's domestic market, and that, in turn, cuts the farmers' domestic market down. (Under a system of self-sufficiency the farm implement makers would be doubly hit, for they would lose both their large foreign market—they sold over \$140,000,000 worth of goods abroad in 1929—and that part of their home market which depends on the farmers' receipts from their exports.) Among the city unemployed at the beginning of 1933 were large numbers of former employees of the farm implement industry. In 1929 the wages of these men and women were sufficient to allow them to eat the adequate diet at moderate cost which, if eaten by all people in the United States, would provide a market for the produce of 280 million average acres of farm land. In 1932 the great majority of them were reduced to the restricted diet for emergency use, which, if it became general, would cut the farmers' available home market to the produce of 162 million average acres.

II. WHAT IS AMERICA'S PAST RECORD AS TO EXPORTS?

14. *What has been the recent trend in world trade?*

In terms of volume, world trade in 1933 was reduced to approximately 70 percent of its 1929 level; in terms of value, to but 35 percent of its 1929 level. The value of American foreign trade declined from 9.6 billions in 1929 to 3.1 billions in 1933, a decline of approximately three-fourths.

15. *What has been the recent trend in America's share in world exports?*

The share of the United States in this decreased trade was a diminishing share. From 1929 to 1933, while world exports were falling 13 percent, American exports, measured in gold dollars, fell 19 percent. For the first time since 1914, American goods sold abroad were less valuable than those of the United Kingdom.

16. *What has America's share in world exports been in the past?*

In 1913, the United States sold 12.3 percent of the world's exports. In 1921-25, the United States sold 16.7 percent of the world's exports. In 1929, the United States sold 15.61 percent of the world's exports. In 1933, the United States sold 10.95 percent of the world's exports.

17. *What has been the value of American exports in past years?*

The value of America's exports, both agricultural and non-agricultural, for the last generation, and the percentage of each in the total are given in the following table:

Yearly average	Agricultural exports		Nonagricultural exports	
	Value	Percentage of total	Value	Percentage of total
1896-1900.....	\$752,000,000	66.2	\$384,000,000	33.8
1901-05.....	875,000,000	61.3	552,000,000	38.7
1906-10.....	964,000,000	55.1	787,000,000	44.9
1911-15.....	1,159,000,000	49.7	1,173,000,000	50.3
1916-20.....	2,642,000,000	42.1	3,632,000,000	57.9
1921-25.....	2,013,000,000	46.7	2,297,000,000	53.3
1926-30.....	1,692,000,000	36.1	2,996,000,000	63.9
1932.....	662,000,000	42.0	915,000,000	58.0
1933.....	694,000,000	29.6	1,647,000,000	70.4

18. *What is the relation of America's exports to its total production?*

In the period 1925-29, just before the depression, America exported nearly one-tenth of its total production.

19. *What happened to America's exports during the depression?*

Exports of crude foodstuffs declined in value by 82 percent from 1929 to 1933; exports of all other products by 67 percent. During the 5-year period 1922-26, American agricultural exports averaged annually \$1,954,000,000. By 1933 they had sunk to \$694,000,000. In terms of physical volume, all exports fell off by 48 percent from 1929 to 1933; farm exports fell off by 28 percent; and crude foodstuffs alone fell off by 66 percent.

20. *Where did most of this country's agricultural exports formerly go?*

In 1922-26 America exported annually almost 2 billion dollars' worth of agricultural products. Of this total, nearly half went to the United Kingdom and Germany, the former taking 30.6 percent, the latter 14.8 percent. Another 30 percent was distributed between France, Italy, Japan, Canada, and Netherlands, in ratios ranging from 7.1 percent for France down to 4.7 percent for Netherlands. In 1933, when the total value of American exports of farm products was but a third of what it had been in 1922-26, the distribution of the trade remained broadly similar to what it had been previously, except in the case of Japan, whose share increased from 6 to 13.1 percent. It is clear, therefore, that while Japan, China, and a number of other countries outside of Europe cannot be overlooked, the great potential outlet for American farm products remains, as it has always been, the industrial countries on the other side of the Atlantic. To the United Kingdom alone the United States sent some \$597,000,000 worth of agricultural products annually in 1922-26, but only \$192,000,000 worth in 1933. An average of \$288,000,000 worth of such goods was sent to Germany in 1922-26, but only \$103,000,000 worth in 1933.

21. *Did European countries send goods directly back to the United States to pay for American farm exports?*

Only in part. The American farm products sent to western European countries exceeded the products those countries sent to the United States. Instead, they sent industrial products to South America and oriental countries; these countries sent America coffee, tea, sugar, silk, and other products; and that paid for the extra lard, wheat, tobacco, and fruit America had shipped to Europe.

22. *Why did other countries take American goods?*

During the pre-war period, foreign countries, and especially Great Britain, where there were no trade barriers, took American goods for two reasons. They took American goods in the normal course of exchange, in return for goods of theirs which they sent over here, or to other countries which in turn shipped to America, though even in that period American tariffs were fairly high. And they took American goods in payment for the debts the United States owed them.

23. *What were America's pre-war debts?*

In 1914, the United States owed between $4\frac{1}{2}$ and $5\frac{1}{2}$ billion dollars to foreigners; that is to say, foreigners had invested to that extent in the United States. About four-fifths of this was money which had been borrowed to build the great transcontinental railroads that opened up the interior of the continent. What was really borrowed was not money but credit. The ships that sailed to America from England brought only small amounts of gold; they brought rails and locomotives. Similarly, American borrowings were repaid for the most part not in gold but in the riches which the railroads made increasingly available, in timber, in cotton, and in wheat.

24. *What accounted for increased exports during the war?*

The increased needs of the European countries arising out of the war enormously stimulated American trade with Europe. The United States sold cereals. The United States sold cotton for uniforms and for explosives. The United States sold ships, locomotives, tractors. The United States sold tobacco. And the United States sold munitions of war.

25. *How were those exports paid for?*

For a time the belligerents paid by canceling a portion of American obligations to them. Later on, they borrowed the necessary funds in this country. In less than 5 years, American war sales not only wiped out America's huge commercial debt, but left Europe owing the United States sums that were far greater than its debts to Europe had been.

26. *What was the United States' international financial position when the war was over?*

At the end of 1919, its position was as follows:

Direct investments by Americans in foreign properties, which had been between 2.1 and 2.6 billion dollars in 1914, had risen to about 3.5 billion dollars.

Private American loans to foreign governments, states, municipalities, and corporations were 2.2 billion dollars.

Credits advanced by the United States Government to foreign governments were 10.2 billion dollars.

Unfunded credits due the United States by foreigners amounted to about 2 billion dollars.

In other words, foreign governments and individuals owed the United States Government and its citizens capital funds of a nominal value of about 18 billion dollars. (Their market value was nearer 14 billion dollars.)

The amount owed by Americans to foreigners did not exceed 3.8 billion dollars.

The United States had entered the war period as a net debtor owing about 2.7 billion dollars. The United States emerged from the war period as a net creditor with 14.1 billion dollars owing from abroad.

27. *How could exports be continued after the war?*

Before the war the United States exported more than it imported, and thereby paid its debts to its creditors. After the war, when its former creditors had become debtors, the United States refused to import more than it exported, and thereby allow them to pay. Since goods were not allowed to come in as payment, the only manner in which American goods could

continue to be sent out was for American citizens to loan foreign buyers the money with which to purchase them. The manner in which these new loans could be repaid was left as much in doubt as the manner in which the old loans could be repaid, but a temporary foreign market was provided by means of them. On this basis the United States maintained its exports for another decade.

28. *What was the creditor position of the United States at the end of 1928?*

The value of the debts owed by foreign governments to the United States had dropped to about $6\frac{3}{4}$ billion dollars, with an additional 300 million dollars due for the cost of the Army of Occupation on the Rhine. But the investments of private American interests in foreign properties and securities had risen from around $5\frac{3}{4}$ billion dollars in 1919 to $13\frac{1}{2}$ billion dollars in 1928. The net long-term creditor position of the United States was over 16 billion dollars.

29. *What did the drop in exports after 1929 indicate?*

The sudden drop in American exports soon after the cessation of American loans abroad at the end of 1928 made it clear that the only reason an export market had existed during the post-war decade was because Americans themselves had loaned the purchasing power on which that market depended.

30. *Why is America no longer successful in exporting goods?*

If Americans want to dispose of their goods abroad:

They can sell them; that is to say, they can trade their goods for other peoples' goods.

Or they can give them away, either directly or by giving other people the purchasing power to buy them.

But they cannot lend other people the purchasing power to buy their goods, expect them to repay the loans, and then refuse to let them send their goods in payment for their debts and America's exports. The recent attempt to follow this last course has been a decisive factor in curtailing America's export trade.

31. *What choice was before America at the close of the war?*

At the close of the war, when this country became a creditor nation, it had to choose between two courses. It could let in the goods necessary to pay the debts which it was America's intention to collect. That meant dropping the tariff. Or it could loan money to increase foreign debts still further and leave the problem of collections to the future. America made the loans.

III. WHAT IS THE GOVERNMENT NOW DOING TO REVIVE AMERICA'S INTERNATIONAL TRADE?

32. *What steps has the President taken toward reopening lost markets?*

On March 2, 1934, President Roosevelt sent a message to Congress asking for powers, when negotiating trade agreements, to include alterations of American tariff rates up to 50 percent of present schedules, pointing out that "If American agricultural and industrial interests are to retain their deserved place in trade, the American Government must be in a position to grant with discernment corresponding opportunities in the American market for foreign products supplementary to our own."

33. *What steps has Congress taken?*

Congress passed the Reciprocal Tariff Act; it became law on June 13, 1934.

34. *What agencies of the Government are now concerned with international trade?*

1. Information on opportunities for American sales abroad, agricultural and industrial alike, is furnished through the **Commercial Attachés' Offices** located in foreign cities, and the **United States Consulates**.

2. Studies connected with commodities on which duties are levied and recommendations on changes in tariff rates are made by the **Tariff Commission**.

3. Negotiations in furtherance of foreign trade are carried on by the **President** through the **State Department** and its embassies abroad. They may lead to informal agreements on specific commodities, or to formal commercial treaties covering a wide range of trade relationships. Formal commercial treaties, when negotiated, are subject to ratification by the **Senate**.

4. Special financial arrangements in connection with trade with Russia and with Cuba have been made available by the establishment of the **First and Second Export-Import**

Banks, the facilities of the Second Bank have recently been extended to trade with other nations. Actual use of some of these facilities is at least temporarily deferred by the Act of Congress which forbids the extension of credits to nations whose debts to the United States are in default.

5. At the end of 1933 the post of **Special Adviser to the President on Foreign Trade** was established, with George N. Peek, former Administrator of the Agricultural Adjustment Act, as its first occupant. His function is to explore possibilities of mutually advantageous exchange, in order that the President may make the fullest possible use of his powers under the Reciprocal Tariff Act.

6. With the same end in view, an interdepartmental group called the **Executive Committee on Commercial Policy** was established to help determine broad questions of commercial policy. Immediate responsibility for negotiation and development of reciprocal tariff agreements rests on the **Interdepartmental Committee on Foreign Trade Agreements** and the **Hearings Committee**. On the former are represented the Departments of State, Treasury, Agriculture, Commerce, the Tariff Commission, the N. R. A., and Special Adviser to the President on Foreign Trade. The Hearings Committee will hear persons interested in any of the foreign-trade agreements projected.

35. *What kind of trade agreement is the government trying to make?*

The word "Reciprocal" in the title of the new Tariff Act is highly significant. Agreements made under its provisions will be clear-cut arrangements for mutual tariff reductions or other concessions, of recognized advantage to the parties concerned.

36. *What treaties have been signed under the new Tariff Act?*

A treaty has been signed with Cuba, and negotiations have been announced as in progress with Haiti, Colombia, Brazil, Costa Rica, Salvador, Guatemala, Honduras, and Nicaragua, in South and Central America, and with Belgium, Sweden, Spain, Switzerland, The Netherlands, and Finland in Europe.

37. *Will the wage earner suffer if tariffs are lowered to allow the entry of more goods?*

Only a small part of the wage earners in this country have their employment protected by the tariff. Census data show that there were nearly 50 million "gainfully employed" workers in 1929. More than half of these were employed in non-manufacturing industries with which imports cannot under any circumstances compete, such as internal transportation, gas and electricity, banking and insurance, building, public service, and others. Of the remaining half, a considerable part was employed in industries for which profitable outlets exist in export markets. Another important group was employed in industries which could not substantially be affected by imports. These include various purely domestic industries, such as most printing and publishing; industries producing bulky materials which are largely protected against foreign countries by high freight costs; and industries using methods of mass production in which foreign competition cannot undersell the efficient American producer.

It is estimated that not more than one American wage-earner in six is competing directly with a foreign wage-earner. In making tariff adjustments the problem of what is to become of the workers whose industry depends to some extent on tariff protection must obviously be carefully considered. But while some industries might contract their production if tariff reductions permitted an increase in international trade, others would expand under the new opportunities, and jobs in those industries would consequently become available.

38. *Will reciprocal agreements on the principles suggested above restore foreign trade to its level of the 1920's?*

Several factors suggest that foreign trade may not soon return to the level of the 1920's:

1. The making of reciprocal agreements is bound from their very nature to be a slow process.
2. A considerable proportion of American sales during the 1920's was the result of injudicious American lending rather than sound purchasing power among America's customers.

3. Increased productive capacity in many parts of the world has both increased the competition for world markets and cut the available markets for exports by supplying, from local sources, needs formerly satisfied from abroad. This is true of agricultural as well as industrial products. In recent years a great deal of attention has been paid to the spread of mass production from the countries which first experienced the industrial revolution to far-away lands in every corner of the earth, thereby rendering exchange of goods less necessary. In a more modest fashion the same thing has been going on with regard to agricultural commodities. The soybean of North China is a familiar sight on American farms; American tobacco is increasingly important as a crop near Peking, in Greece, South Africa, and even Italy. But there is difference of opinion as to how many of the "infant industries" in the various countries are really economically justified and could continue to exist without tariff protection.

39. *How great an increase in imports would be necessary to restore this country's lost export trade?*

The restoration of its former trade would require an excess of imports over the present volume of exports to the value of about half a billion dollars annually, if foreign nations were to earn the purchasing power necessary to pay their debts and make current purchases of the commodities America has been producing for export. Practically, it might be possible to allow entry of an increase of imports to the value of some 200 million dollars more than present imports.

40. *If the former level of exports is unlikely to be reached, what will become of the farm surpluses for which foreign markets seem likely to be permanently lacking?*

If the American farmer is to receive satisfactory prices for what he does produce, such surpluses must not be grown. The agricultural adjustment programs have kept off the market goods for which the outlet abroad has been closed, and which have no place either in the domestic market or as part of the normal domestic carry-over.

IV. WHAT ARE THE PROSPECTS FOR INCREASED EXPORTS OF AMERICA'S CHIEF AGRICULTURAL COMMODITIES?

COTTON

41. *What are the prospects for cotton?*

Sales abroad of America's greatest agricultural export, cotton, depend almost exclusively on foreign purchasing power. Existing limitations on American cotton exports are chiefly due to low levels of consumers' incomes, reflected through the textile industries of the important purchasers, rather than to legal restrictions. However, several countries, including Germany, recently have placed direct barriers in the way of cotton imports. Sales abroad also are affected by foreign competition; if American export prices were to be held too high, competition from foreign cotton would be encouraged

42. *What may cotton growers gain from reciprocal tariff negotiations?*

Inasmuch as the demand for American cotton depends primarily on the ability of foreign consuming countries to pay, and their ability to pay rests largely upon the imports this country is willing to accept, cotton is likely to be benefited more by the use of tariff bargaining for the general restoration of foreign trade than by reciprocal trade agreements specifically involving cotton. Pending such revival, cotton exports are unlikely to increase, and might even decrease.

TOBACCO

43. *Which are normally the two best markets for America's tobacco?*

Great Britain and China. Together, they took some 75 per cent of American exports before the depression.

44. *What are the causes for diminished sales in those two markets?*

The Ottawa agreements, by which the members of the British

Empire adopted a system of Imperial preference in 1932, have affected not only sales of American tobacco but a whole series of American exports, since Great Britain and Canada are this country's two best customers. The reversal of England's 100-year-old policy of free trade was a countermove against steadily rising tariff walls all around, which expressed the impossible desire of neighbor nations to sell in the British open market while closing their market to British goods. The United States has been Great Britain's best customer even as Great Britain has been the United States'; the American Hawley-Smoot Tariff, passed 2 years before the Ottawa Acts were signed, was an important stimulus to their conclusion. The specific effect of the Ottawa agreement on American tobacco is a 50-cent differential added to the basic duty of \$2.31 (American dollars at gold par). The advantage thus given to Canadian and South African tobacco growers is obvious; when translated from monetary to agricultural terms it can be seen in increasing tobacco acreages in those two countries at the same time as surplus stocks to the extent of a quarter of a total crop accumulated in America. On the other side of the world low exchange rates have recently raised the price of American goods in terms of Chinese currency. Formerly a major part of the tobacco leaf used in Chinese cigarettes was imported from the United States, but of a consumption of 190 million pounds in 1933 some 100 million were native leaf grown in China from American seed.

45. *What may tobacco growers gain from reciprocal tariff negotiations?*

Negotiations with countries which have state tobacco monopolies contain considerable possibilities for tobacco exports. The recent agreements for the exchange of Spanish and Italian wines for American tobacco are cases in point.

WHEAT

46. *How much wheat did the United States formerly export?*

In 1920-21, exports from this country reached a high mark of 373 million bushels. During the 10 years 1919-29, American exports were never less than 162 million bushels except in 1925 when a short crop caused the exportable surplus to be cut into

for domestic use. The average for the 10 years was about 225 million bushels. To get some idea of what that means in terms of acreage, the amount of wheat, exclusive of flour, exported during those years was almost exactly equal to the total produce of the largest American wheat-growing state, Kansas, which supplies an average crop of about 177 million bushels.

47. *How much wheat did the United States export last year?*

From July 1933, through March 1934, only $18\frac{3}{4}$ million bushels were exported, and almost $16\frac{3}{4}$ million of them came from the Washington-Oregon customs area, where the North Pacific Emergency Export Association was relieving the domestic surplus by buying wheat at domestic prices to sell at world prices, with the Government making up a difference of some 26 cents a bushel. The bushels exported by the Association, moreover, included $8\frac{1}{3}$ million bushels shipped to China and paid for with money borrowed from the Reconstruction Finance Corporation by the Chinese Government.

48. *What has happened to America's former wheat markets?*

In the course of the last 10 years, particularly between 1928-31, Germany, France, Italy, and Great Britain, all among this country's former best customers, raised their duties on the importation of wheat.

49. *What may wheat growers gain from reciprocal tariff negotiations?*

In spite of the fact that there are important tariff restrictions of recent date against American wheat, the prospects of increasing exports through tariff negotiations are less hopeful than in the case of other products. Protective tariffs recently imposed by other countries have in a number of cases stimulated production in those countries to such an extent that their home markets are largely supplied from that source.

Moreover, where such countries still need to draw on outside supplies, the competitive advantages of new wheat areas on low cost land in other parts of the world decrease the chances of American sales. The International Wheat Agreement, however, may lead to decreased production in Western Europe and some increases in the market there for American wheat.

PORK PRODUCTS

50. *What is the situation in America's most important markets for pork products?*

The United States has normally been the largest exporter of lard to the German market, selling 126 million pounds of lard in Germany in 1933. On March 1, 1934, Germany limited lard imports to 40 percent of her 1931-33 imports, and raised the existing duty of 17.98 cents a pound by a monopoly fee of an amount not yet determined.

This legislation limited American exports to Germany for 1934 to a maximum of 65 million pounds. Since July 1, 1934, it has been impossible for even the exports allowed under such a quota to be sent to Germany, because governmental restrictions have prevented the allocation of any foreign exchange to pay for them. Excessive exports of pork products from practically all hog-producing countries into the United Kingdom in 1932 led to a quota being placed on British imports under which the United States now supplies 8.1 percent of the ham and bacon (tinned and otherwise) and salt pork now received in Great Britain. While the American situation for the first year under the quota was somewhat better than the American situation during the cut-throat competition of 1931-32, the reduction it represents from the exports of the 1920's is indicated by the following figures:

AMERICAN EXPORTS TO GREAT BRITAIN

	1924-25 to 1928-29	1931-32	1932-33 (first quota year)
	Pounds	Pounds	Pounds
Bacon.....	64,747,000	6,048,000	3,089,000
Ham.....	140,761,000	52,201,000	67,426,000

51. *What may pork producers gain from reciprocal tariff negotiations*

The obstacles to getting back America's pork markets are serious, though possibly less serious in the case of pork than of wheat. This country will have a comparative advantage over other countries in the production of ham, and in both the United Kingdom and Germany the recent restrictions have re-

duced consumption by decreasing imports more drastically than domestic production has increased. By tariff negotiation, therefore, it may be possible to increase American exports to these countries without decreasing any great amount of domestic production. Cuba is another country which used to take important quantities of lard and pork. The reciprocal trade agreement signed with Cuba in 1934, the first to be concluded under the Reciprocal Tariff Act, provides for very material reductions in the high Cuban tariffs, especially on lard, and may facilitate material increases in American hog-product exports to Cuba.

52. *What methods other than the granting of credit can be used to bring foreign markets back?*

There are two ways to increase the quantity of goods sold abroad, by dumping and by normal exchange.

53. *What is "dumping?"*

Dumping is selling below domestic price. It means sending one's own commodities abroad, without getting much back in exchange. Dumping usually demoralizes the markets where sales are made, and invites prompt retaliation by the countries affected.

54. *What is normal exchange?*

For a nation, normal exchange means sending commodities abroad, and getting in exchange things it needs and can use. It is based on the assumption that in the long run the only customers with whom one can do business are willing customers.

55. *What are the chances for success in restoring America's foreign trade under the Reciprocal Tariff Act?*

The mutual lowering of tariffs required will take patience and persuasiveness on both sides of existing tariff walls.

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